1   INTERACTIVE SYSTEM AND METHOD FOR SELLING INSURANCE

2

3   Background of the Invention

4

5   The present invention relates to an interactive system

6   and method for selling insurance including reinsurance.

7   Insurance is used to redistribute risks. Insurers or

8   risk carriers assume portions of the risks of their

9   customers or insureds in exchange for premiums.   Insureds

10 may also be referred to as cedents in that they cede risks

11 to a risk carrier or insurer. Reinsurance is used by

12 insurance companies to redistribute their exposure to other

13 insurers. In a reinsurance agreement, an insurer (often

14 referred to as a primary insurer or ceding company)

15 transfers or cedes some or all of its exposures and premiums

16 to a reinsurer. The reinsurer then agrees to indemnify the

17 ceding company for a predetermined type and amount of losses

18 sustained.

19   It is important to understand that insurers, including

20 primary insurers and reinsurers, are regulated as to the

21 amount of insurance they can write, or risk that they can

22 assume, based on the amount of surplus funds they hold. The

23 capacity of an insurer generally refers to the monetary

1 amount of insurance or risk of loss which the insurer can

2 agree to cover based upon their surplus funds. An insurance

3 company can increase its capacity to allow it to write more

4 policies or to write policies with higher limits by

5 reinsuring a portion of its covered risks.

6   There are two broad types of reinsurance contracts:

7 treaty and facultative. Treaty reinsurance involves an

8 agreement in which the primary insurer agrees in advance to

9 cede certain classes of business or types of insurance to

10 the reinsurer. For example, part of the primary insurer's

11 business may be aviation insurance, through which the

12 primary insurer provides aviation insurance to multiple

13 commercial airliners. Under a treaty reinsurance contract,

14 the reinsurer would agree to reinsure some portion of the

15 risk of all of the primary insurer's aviation insurance

16 contracts. Individual risks are not underwritten or

17 discussed; the reinsurer relies on the primary insurer to

18 accept only risks that fall within acceptable underwriting

19 criteria and reinsures all risks that fall within the

20 reinsurance treaty agreement. Facultative reinsurance, on

21 the other hand, involves separate reinsurance agreements for

22 each risk or policy that is being reinsured.

1   In addition to the broad types of reinsurance

2   contracts, treaty or facultative, there are also various

3   ways in which the parties may share or cede the risks. Two

4   broad classifications of risk sharing arrangements are

5   referred to as Proportional Arrangements or Excess

6   Arrangements.

7   In a proportional agreement, a certain portion of every

8   risk covered by the agreement is ceded. The primary insurer

9   and reinsurer share a portion of all insurance, premiums and

10   losses in the same amount. The primary insurer is paid a

11   commission in exchange for ceding the risk portion and

12   premium to the reinsurer. A proportional agreement may be

13   written on a quota share or surplus share basis.

14   In a quota share agreement, the primary insurer's

15   retention (retained risk) is stated as a percentage of the

16   amount insured. The insurer retains the same percentage of

17   insurance, premium and losses and cedes the rest to the

18   reinsurer, subject to a reinsurance limit. In a surplus

19   share treaty, the primary insurer's retention (retained

20   risk) is stated as a fixed monetary amount of the amount

21   insured. The primary insurer retains a fixed monetary

22   amount of all insurance, premium and losses that fall within

23   the agreement and cedes the rest to the reinsurer. In

1   either case, a commission is typically paid to the insurer

2   in return for the premium ceded.

3   To illustrate the differences between quota share and

4   surplus share, assume that a primary insurer wants to write

5   a policy for a property risk valued at $1,000,000. In a

6   quota share arrangement with a 25% retention, the primary

7   insurer would retain $250,000 of the property risk and cede

8   $750,000 to the reinsurer. However, if the property risk

9   were valued at $2,000,000 under the same quota share

10   arrangement, the insurer would retain $500,000 and cede

11   $1,500,000. In a surplus share treaty, the primary insurer

12   may choose to retain $250,000 of each property risk insured.

13   The primary insurer thus would retain $250,000 on both a

14   $1,000,000 property risk, ceding $750,000, and on a

15   $2,000,000 property risk, ceding $1,750,000.

16   In an excess reinsurance agreement, only losses are

17   ceded to the reinsurer. The primary insurer retains the

18   amount of insurance and premium, and commissions are not

19   normally paid. Three standard types of excess agreements

20   are per risk excess, per occurrence excess, and aggregate

21   (stop loss) excess.

22   In an aggregate excess agreement, the retention is

23   calculated based on all losses over a period of time stated

1   in the agreement.   The retention may be stated in a monetary

2   amount, a loss ratio, or some combination of the two.

3   In per risk excess arrangements, losses above a certain

4   monetary amount are ceded to the reinsurer, which is

5   responsible for all losses from any one exposure above this

6   monetary amount up to the reinsurance limit.   Per occurrence

7   or per loss excess arrangements are similar to per risk

8   arrangements.   However, the retention is stated as an amount

9   incurred per occurrence.   An occurrence may be one

10 hurricane, one flood or one accident that results in

11 liability claims.

12   The difference between per risk and per occurrence

13 excess can be illustrated in the following example in which

14 a hurricane damages 100 covered homes in a given area.   If

15 the primary insurer ceded the losses on a per risk basis

16 with a $10,000 retention, it would be responsible for the

17 $10,000 retention on each of the 100 homes, or $1,000,000.

18 However, on a per occurrence basis, the primary insurer may

19 have retained $250,000 per occurrence, in which case the

20 primary insurer would have to pay $250,000 and the reinsurer

21 would be responsible for the rest of the losses up to the

22 reinsurance limit.

1   Original Loss Warranty ("OLW") protection is a type of

2   per occurrence excess agreement in which the reinsurer pays

3   the reinsurance cover amount only if the total amount of a

4   covered loss exceeds a set amount or trigger point. OLW

5   protection is often utilized in high risk insurance such as

6   aviation, space and energy/marine. In such high risk

7   insurance, the risk is often spread among multiple carriers,

8   each covering a portion of the total risk.

9   The following example is provided to illustrate

10 possible application of OLW protection in a high risk

11 insurance, namely aviation insurance.

12   A primary insurer of International Airline accounts

13 seeks reinsurance for its portfolio of aviation insurance

14 contracts. The primary insurer's portfolio includes a 10%

15 line (i.e. it receives 10% of the premiums and must pay 10%

16 of each claim) on aviation insurance for a first airline

17 which runs for 12 months beginning on January 1, a 5% line

18 on aviation insurance for a second airline, effective 12

19 months beginning on April 1; and numerous other insurance

20 policies with different various percentages of participation

21 and policy periods. The primary insurer's exposure out of

22 these various contracts is very high and the primary insurer

23 seeks reinsurance to reduce its exposure.

1   OLW protection for such a portfolio might be structured

2   such that the reinsurance contract provides for a cover

3   amount of $3,000,000 if any one of the insureds covered by

4   an aviation insurance policy in the primary insurer's

5   portfolio has a loss which exceeds a trigger point of

6    $750,000,000 during the period of the reinsurance contract

7   in exchange for a premium of $800,000. It does not matter

8   which of the primary insurer's insureds suffers the loss,

9   nor the primary insurer's participation in the insurance

10   contract of the insured suffering the loss. If a loss

11   occurs during the reinsurance policy period which exceeds

12   the trigger point, the reinsurer pays the reinsurance cover

13   amount.

14   Historically, reinsurance contracts have been initiated

15   by the primary insurer, or by a broker on behalf of the

16   primary insurer, which approaches a reinsurer and requests

17   coverage of a certain amount of its portfolio. An

18   underwriter for the reinsurer then evaluates performance

19   data for the primary insurer and evaluates the risk

20   associated with the requested reinsurance amount and decides

21   how much coverage or capacity the reinsurer is willing and

22   able to offer and under what financial and legal terms.

23   This offer is then either accepted or declined by the

1   cedent. This process is typically effected by telephone,

2   fax, letter and personal contact and may involve ongoing

3   negotiations as to the financial and legal terms or the

4   amount of capacity offered. These are essentially the same

5   methods used for selling most types of insurance.

6   The historical method of marketing or selling

7   insurance, including reinsurance, limits the ability of the

8   insurer to be proactive in its effort to sell its insurance

9   services and often results in inefficiencies in utilization

10   of the insurer's capacity.

11

12   Summary of the Invention

13

14   The present invention comprises a system and method for

15   ceding risks from insureds or cedents to a risk carrier or

16   insurer over a computer network. The system and method are

17   particularly well adapted for use in forming reinsurance

18   contracts. The system includes an application server on

19   which an application is installed. The "application"

20   includes an application engine and supporting data and

21   program files. The application interfaces with a database

22   of selected information of selected cedents. The

23   application server is remotely accessible by the cedents

1 through a computer network and in particular through the

2 internet.

3   An initial step of the method involves calculating a

4 risk assumption capacity of the risk carrier and entering

5 the capacity into the application as available risk

6 assumption capacity. Another preliminary step involves

7 identifying potential customers or cedents having classes of

8 insurance or risks, portions of which the risk carrier is

9 willing to assume under selected terms. The risk carrier

10 then develops proposals to assume selected risks of the

11 potential cedents and posts the proposals on the system such

12 that the proposals are viewable by the cedents through the

13 computer network. The application permits the cedents to

14 electronically submit a proposal directed to or associated

15 with it, as an offer, for acceptance by the risk carrier.

16 The application electronically accepts the offer and sends

17 confirmation of acceptance of the offer to the cedent.

18   Upon acceptance of an offer, the application

19 recalculates the available risk assumption capacity by

20 reducing the available risk assumption capacity by the

21 amount of risk assumed. The application then electronically

22 withdraws from view and availability for submission by the

23 cedents any proposals, the acceptance of which would reduce

1   the available risk assumption capacity below the selected

2   amount.

3   The system is preferably designed such that proposals

4   for a specific cedent are viewable only by that cedent. A

5   specific cedent gains access to its proposals through a

6   secure server using a user identification designation or

7   user ID and password. Each cedent may view a listing of one

8   or more proposals submitted for its consideration. The

9   listing includes a brief summary of important financial

10   terms of the proposal. The cedent may view additional

11   details concerning each proposal, including additional

12   financial terms and wording of contractual terms of the

13   proposal, by selecting a proposal from the listing and then

14   linking to additional pages for the selected proposal.

15   The system also preferably generates a separate listing

16   for each cedent of each of the agreements it has entered

17   into with the risk carrier, resulting from proposals which

18   the cedent submitted through the system and accepted by the

19   risk carrier. The listing of agreements provides a brief

20   summary of important financial terms of the agreement. The

21   cedent may view additional details concerning each

22   agreement, including additional financial terms and the

23   wording of contractual terms of the proposal, by selecting a

1 particular agreement from the listing and then linking to

2 additional pages for the selected agreement.

3 The listing of agreements is automatically updated upon

4 acceptance of an offer by the carrier. More specifically,

5 upon acceptance of an offer by the application, the data

6 relating to a proposal is removed from the listing of

7 proposals and added to the listing of agreements.

8

9 <u>Objects and Advantages of the Invention</u>

10

11 The objects of this invention include providing a

12 system and method for efficiently ceding monetary risks,

13 selling insurance capacity or processing insurance

14 contracts; to provide such a system and method which allows

15 a risk carrier to post currently available proposals for

16 insurance coverage on a computer network to allow potential

17 customers or cedents to readily access and view proposed

18 financial and legal terms of currently available coverage;

19 to provide such a system which allows a potential risk

20 cedent to select and electronically submit a proposal as an

21 offer for acceptance by the risk carrier; to provide such a

22 system and method which allows the risk carrier to

23 electronically accept such an offer; to provide such a

1   system which recalculates the risk carrier's available

2   capacity upon acceptance of an offer to decrement the

3   capacity accordingly; to provide such a system which removes

4   from accessibility or view any proposals whose acceptance

5   would exceed the then available capacity; to provide such a

6   system which will notify the cedent upon submission of a

7   proposal as to whether the offer is accepted or not; to

8   provide such a system which allows the cedents to view the

9   insurance agreements currently in force between it and the

10 risk carrier; and to provide such a system which provides

11 participating cedents secure access to view only those

12 proposals specifically developed for it and to submit as

13 offers only those proposals developed for it.

14   Other objects and advantages of this invention will

15 become apparent from the following description taken in

16 conjunction with the accompanying drawings wherein are set

17 forth, by way of illustration and example, certain

18 embodiments of this invention.

19   The drawings constitute a part of this specification

20 and include exemplary embodiments of the present invention

21 and illustrate various objects and features thereof.

1

2

3   Fig. 1 is a block diagram illustrating an interactive

4 system for use in practicing the method of the present

5 invention including a system server.

6   Fig. 2 is a user specific entry page generated by the

7 system server and viewable by a user of the interactive

8 system providing links to other pages.

9   Fig. 3 is a user specific Proposals page generated by

10 the system server and providing a listing of proposals

11 available to the user with a specific proposal selected.

12   Fig. 4 is a user specific Agreements page generated by

13 the system server and providing a listing of existing

14 agreements for reinsurance.

15   Fig. 5 is a Proposal Details page generated by the

16 system server and corresponding to the proposal selected in

17 Fig. 3.

18   Fig. 6 is a Submit Proposal page generated by the

19 system server for use in submitting the proposal selected.

20   Fig. 7 is a Acceptance Confirmation page generated by

21 the server to confirm acceptance of the proposal submitted.

22   Fig. 8a is revised Proposals page generated after

23 acceptance of the proposal selected in Fig. 3.

1   Fig. 8b is an alternative version of the revised

2   Proposals page generated after acceptance of the proposal

3   selected in Fig. 3.

4   Fig. 9 is a revised Agreements page generated after

5   acceptance of the proposal selected in Fig. 3.

6   Fig. 10 is a flow chart of the steps of the interactive

7   system and method of entering into contracts for the

8   assumption of risks.

9

10   Detailed Description of the Invention

11

12   As required, detailed embodiments of the present

13 invention are disclosed herein; however, it is to be

14 understood that the disclosed embodiments are merely

15 exemplary of the invention, which may be embodied in various

16 forms. Therefore, specific details disclosed herein are not

17 to be interpreted as limiting, but merely as a basis for the

18 claims and as a representative basis for teaching one

19 skilled in the art to variously employ the present invention

20 in virtually any appropriately detailed system.

21   Referring to the drawings in more detail, Figure 1 is

22 illustrative of an interactive system or computer network 1

23 for use in carrying out the methodology of the present

1 invention for marketing and selling insurance and in

2 particular reinsurance. Although the network 1 shown and

3 described utilizes the internet, it is to be understood that

4 the methodology of the present invention could be practiced

5 utilizing other computer or communications networks.

6   The preferred embodiment is described with reference to

7 sales of OLW (original loss warranty) type reinsurance.

8 However, it is to be understood that the methodology and

9 system of the present invention can be utilized to sell

10 other forms of reinsurance or insurance and in general for

11 entering into agreements to assume risks of others.

12   The network 1 is preferably conventional for internet

13 applications and includes a database 5, an application

14 server 6, a web server 7 and a firewall 8 which are

15 selectively accessible through the internet 9 from computers

16 10 of end users. As used herein the database 5, the

17 application server 6, web server 7, firewall 8 and software

18 run thereon to store, provide access to and manipulate data

19 stored in the database 5 or on the servers 6 and 7 and 8,

20 may collectively be referred to as a server or system server

21 15. The system server 15 is generally assembled, operated,

22 maintained and connected to the internet 9 by or under the

23 authority of a reinsurer.

The end users comprise existing and/or potential clients or customers of a reinsurer or their brokers, representatives or agents. The customers may also be referred to as cedents or primary insurers. The customers use web browsers on their computers 10 to connect to the system server. The system server 15 responds to requests and commands received from the end user's browser, to generate pages responsive thereto as part of the methodology of the present invention.

Implementation of the interactive system and method requires some preliminary steps which do not necessarily occur sequentially, may occur simultaneously or may occur intermittently over an extended period of time. At an early stage of the process, the reinsurer must determine its overall capacity or the monetary value of risks that it can assume. A reinsurer's capacity is typically calculated on an annual basis just prior to the time for negotiating new or renewing old contracts. The reinsurer must also determine what types or classes of reinsurance it intends to sell utilizing the interactive system 1 and what portion of its overall capacity it wants to allocate to each type or class of reinsurance.

1   In another preliminary step, the reinsurer solicits and

2   enrolls or selects cedents, or their representatives, to

3   utilize the interactive system to purchase reinsurance from

4   the reinsurer. The reinsurer sets up separate data records,

5   accounts or files for each primary insurer or user in the

6   system server 15. Upon enrolling a user to utilize the

7   interactive system 1, the reinsurer provides the user with a

8   unique user identification designation (User ID) and a

9   password to provide the user secure access to selected

10   information in the system server 15.

11   The reinsurer prepares or formulates proposals

12   comprising the financial and legal terms of reinsurance

13   contracts it is willing to enter into in the classes of

14   reinsurance it intends to sell through the interactive

15   system 1. The reinsurer will typically utilize established

16   contract language for the proposals and vary the financial

17   terms depending on then current market conditions and its

18   current capacity. The proposals are input into or posted on

19   the system server 15 so as to be viewable by end users on

20   their computers 10 as discussed in more detail below. The

21   terms of the proposals may be modified at appropriate

22   intervals, such as to modify the proposal language in

1   response to changes in the law or to clarify certain

2   provisions of the proposals.

3   The reinsurer must determine which proposals it wants

4   to make available to which cedents. For example, the

5   reinsurer may have two separate proposals to provide

6   reinsurance for aviation insurance portfolios and ten

7   different selected primary insurers who have aviation

8   insurance portfolios. The reinsurer may decide to make a

9   first aviation proposal available to all ten of the primary

10   insurers and a second aviation proposal available to only

11   six of the primary insurers.

12   The decision on which cedents to make available certain

13   proposals will depend in large part on underwriting

14   considerations and an understanding of the cedents'

15   business. As part of the preliminary steps, the reinsurer

16   evaluates insurance portfolios of each of the selected

17   primary insurers or cedents for which it is considering

18   making available reinsurance capacity. An insurance

19   portfolio generally refers to all of the insurance policies

20   issued by an insurer which fall within a specific class of

21   business. More specifically, an insurer's insurance

22   portfolio may refer to all of the insurance policies issued

23   by an insurer which fall within the criteria for the type of

1   insurance for which the reinsurer is willing to make

2   available a proposal for reinsurance. As an example, for

3   OLW coverage for worldwide aviation lines, an insurer's

4   portfolio would be all of its aviation policies providing

5   worldwide coverage which are in force during the proposed

6   term of reinsurance coverage.

7   Based on the underwriting or evaluation of the

8   insurance portfolios, as well as other business

9   considerations, the reinsurer will determine which proposals

10 to make available to which cedents. The proposals are

11 entered into the system server 15, and the system server 15

12 is programmed to associate each of the proposals with

13 selected cedents, as determined by the reinsurer.

14   The reinsurer also determines a capacity which is

15 allocated to each type of proposal. For example, if the

16 reinsurer allocates ten million dollars in risk assumption

17 for the first aviation proposal and the covered amount or

18 risk of loss for each of the first aviation policies is two

19 million dollars, the reinsurer only has the capacity to

20 enter into five contracts based on the first aviation

21 proposal. This capacity may be referred to as a per

22 occurrence capacity.

1   The reinsurer also determines a capacity for each

2   cedent which may be referred to as a cedent capacity. The

3   cedent capacity generally comprises the maximum risk of loss

4   the reinsurer is willing to assume from a particular cedent.

5   The cedent capacity will vary by cedent. Values for the per

6   occurrence capacities and the cedent capacities are entered

7   into the system server 15 and collectively may be referred

8   to as the allocated capacity. The available allocated

9   capacity generally refers to the amount of allocated

10   capacity which remains available at any given time and which

11   the reinsurer or risk carrier has not yet utilized through

12   entering into an agreement with a cedent.

13   Once the preliminary steps are completed, the users are

14   notified that the system 1 is available for use.

15   Alternatively, the selected users could be notified that the

16   system 1 will be available for use on a predetermined date

17   by which the reinsurer will have completed the preliminary

18   steps. Most of the preliminary steps will be repeated on an

19   annual basis. Each year the reinsurer will determine

20   whether to enroll the same or additional users, recalculate

21   its capacity, determine what proposals to make available to

22   the various cedents, determine how to allocate its per

1   occurrence capacity and cedent capacity, and reinitialize

2   those values in the system server.

3   To access the proposals on the system 1, a user or

4   cedent, connects to a login page (not shown) generated by

5   the system server 15. Following prompts, the user enters

6   its User ID and password and clicks on a login button or

7   enter button to access pages containing a information on

8   proposals being made available to it and to access pages on

9   reinsurance contracts it has already entered into with the

10 reinsurer. Upon clicking the login button, a user specific

11 entry page 18 (See Fig. 2) is generated for view by the

12 user. The entry page 18 includes a button bar 19 with

13 buttons to link to other pages including a Proposals button

14 20 to link to a user specific Proposals page 21 (See Fig. 3)

15 and an Agreements button 22 to link to a user specific

16 agreements page 23 (See Fig. 4). As will be discussed in

17 more detail below, the Proposals page 21 includes a listing

18 of proposals which are currently available for

19 consideration, and the Agreements page 23 provides a similar

20 listing of reinsurance agreements which the parties have

21 entered into and are in force.

22   Buttons are also provided on the button bar 19 of the

23 entry page 18 to link to non-user specific pages (not shown)

1 including a Home page for the Reinsurer, a Contact Us page

2 providing information to contact the Reinsurer and e-mail

3 links for the Reinsurer, a Terms and Conditions page

4 providing the terms and conditions of use of the interactive

5 system 1, a Help page providing information to assist in use

6 of the interactive system 1 and a Logout page. In a

7 preferred embodiment, the users enter into a written

8 agreement with the reinsurer covering use of the interactive

9 system 1 before the system is made available to the user for

10 use.

11 Clicking, selecting or pushing on the Proposals button

12 20 causes the server 15 to generate the user specific

13 Proposals page 21. An exemplary Proposals page 21 for user

14 XYZ, Inc. is shown in Figure 3. The Proposals page 21

15 provides a listing 28 of each of the proposals currently

16 available for consideration by the specific cedent which, in

17 the example shown, is XYZ, Inc. The listing 28 is generally

18 presented in a table format, with each row 30 summarizing

19 the main terms of each separate proposal. Listing 28, in

20 Fig. 3, includes five proposals in rows 30a-e.

21 The first column 31 of each row includes a selection

22 button or icon 32 over which a cursor can be positioned and

23 clicked or activated to select the proposal as summarized in

1   that row 30. As indicated in Fig. 3, by the dot 33, the

2   proposal corresponding to the first or upper row 30a has

3   been selected.

4   Specific information or terms concerning each proposal

5   are provided in remaining columns 35 under the appropriate

6   headings, including the "Class of Business" or line of

7   insurance, the original loss warranty amount or "OLW" in

8   millions of dollars, the reinsurance amount or "Limit

9   Upfront", the "ROL Upfront" or rate on line which is used to

10   calculate the premium, the "Cover Basis", the beginning date

11   ("Term from") and ending date ("Term to") of the policy

12   term, the "Territory", the "Reinstatement" rate and the

13   event "Coverage".

14   A Details button 36 and a Refresh button 37 are also

15   provided on the Proposals page 21. Clicking on the Refresh

16   button 37 reloads the user specific Proposals page 21 to

17   permit the user to verify that all of the proposals listed

18   remain available and have not been withdrawn from

19   consideration as will be discussed in more detail below.

20   Clicking on the Details button 36, after selecting a

21   proposal by clicking on the corresponding selection button

22   32, causes the server 15 to generate Proposal Details pages

23   40 as generally shown in Fig. 5. The Proposals page 21 may

1   include additional information including instructions on how

2   to select a proposal and link to the Proposal Details pages

3   40 for each proposal, instructions on how to submit a

4   proposal as an offer for acceptance, or instructions on

5   contacting the reinsurer if no proposals are listed as being

6   available or if the user has additional questions concerning

7   use of the system 1.

8   Fig. 5 shows a first page 41 of the Proposal Details

9   pages 40 corresponding to the proposal shown as selected in

10   Figure 3. The page 41 includes a partial listing 43 of the

11   terms of the selected proposal corresponding to the terms as

12   shown on the Proposals page 21. Additional terms may also

13   be included in this listing 43. For example, listing 43

14   includes a term generally referred to as the "Priority" for

15   the proposal which relates to the liability of the reinsurer

16   if and when the loss paid by the cedent for the loss exceeds

17   the Priority amount. Other terms may be listed elsewhere on

18   the page 41 including when payment is due.

19   A variable coverage box 45 is provided on page 41, in

20   association with the heading for Limit Upfront, to allow the

21   user to vary the Limit Upfront or coverage amount. In

22   particular, by clicking on the drop down arrow or icon 46, a

23   drop down box (not shown) appears providing alternative

1 coverage amounts in decreasing value. For example, the

2 values shown in the drop down box for selection box 45 could

3 range in descending order in one million dollar increments

4 from six million dollars to one million dollars. To select

5 a different value for the Limit Upfront, the user, places

6 the curser on the selected amount and clicks on that amount,

7 which will then appear in the selection box 45 and the drop

8 down box will disappear. The default value in the selection

9 box 45 is the maximum amount of coverage available through

10 the proposal.

11 The first page 41 (Fig. 5) of the Proposal Details

12 pages 40 also provides a Yes/No selection box 48 for the

13 user to indicate whether a broker will be involved in the

14 sale and if so a broker identification box 49 is provided to

15 allow the user to fill in the name and address of the broker

16 or other requested information. A Your Reference box 50 is

17 provided for the user to fill in a reference number or code

18 selected by the user to identify the proposal or resulting

19 transaction.

20 At the bottom of page 41 a listing 54 of headings for

21 applicable contractual clauses for the proposal is provided.

22 The listing 54 carries over to additional pages of the

23 Proposal Details pages 40 (or additional portions of the

1 first page 41) which are not shown. A Wording button 55 is

2 positioned adjacent each heading in the listing 54 of

3 applicable clauses. The user clicks on the Wording buttons

4 55 to generate additional pages (not shown) including the

5 full text of the selected clause. Any of the pages

6 generated by the server may be printed by the user on a

7 printer associated with the user's computer 10.

8 The first page 41 of the Proposal Details pages 40 also

9 includes a Next button 60 and a Cancel button 61. Selecting

10 or pressing the Cancel button 61 cancels any of the changes

11 made to the Proposal Details page 40 in boxes 46, 48, 49 or

12 50, and returns the user to the Proposals page 21.

13 Instructions 63 are provided on the first page 41 of

14 the Proposal Details page 40 instructing a user on how to

15 submit a proposal for acceptance. The instructions 63

16 generally instruct the user to enter data where requested

17 and to click on the Next button 60 to submit the proposal

18 corresponding to the information presented on the Proposal

19 Details page 40. Clicking on the Next button 60 causes the

20 system server 15 to generate a corresponding Submit Proposal

21 page 65 as generally shown in Fig. 6.

22 The Submit Proposal page 65 includes a listing 68 of

23 the basic terms of the proposal, including data entered by

1   the user.   For example, the Limit Upfront shown on the

2   Submit Proposal page 65 corresponds to the Limit Upfront

3   selected by the user on the Proposal Details page 40.   Other

4   data entered in the Proposal Details page 40 is also

5   displayed on the Submit Proposal page 65 including whether a

6   broker will be involved, and if so, the broker's name and

7   address, and the users reference code.   The Submit Proposal

8   page 65 provides the user a final opportunity to review the

9   basic terms of the proposal prior to submission for

10   acceptance.

11   The Submit Proposal page 65 also includes a submit

12   button 71, a back button 72 and a cancel button 73.

13   Clicking on the cancel button 73, returns the user to the

14   Proposals page 21 and cancels any of the changes made to the

15   Proposal Details page 40 in boxes 46, 48, 49 or 50.

16   Clicking on the back button 72 returns the user to the

17   corresponding Proposal Details page 40.   The user may elect

18   to return to the Proposal Details page 40 to change data

19   entries or confirm wording of some of the clauses of the

20   proposal.   Instructions 75 are also provided on the Submit

21   Proposal page 65 instructing the user to review the basic or

22   general terms and then click the submit button 71 if the

23   user wants to submit the proposal for acceptance.

1   When the user clicks on the submit button 71, the

2   system server 15 generates an acceptance confirmation page

3   78 (See Fig. 7) if the proposal was still available at the

4   time of submission. It is possible that a proposal could be

5   withdrawn from availability to a user while viewing the

6   Submit Proposal page 65. When the user then clicks on the

7   submit button 71, the user will receive an error message.

8   The error message may indicate that the proposal is no

9   longer available for acceptance or may simply instruct the

10   user to call the reinsurer to determine why an error message

11   was received. Such an error message may be a page (not

12   shown) which include a button to return the user to the

13   Proposals page 21 or other pages.

14   The acceptance confirmation page 78 includes a message

15   79 indicating the proposal has been accepted and the

16   contract closed. The acceptance confirmation page 78

17   provides a reinsurer reference number 80 which is assigned

18   to the policy or contract by the system server 15 upon

19   acceptance. Page 78 also includes a Print Premium Closing

20   button 82, a Print Covernote button 83, a Proposals button

21   84, an Agreements button 85 and a Logout button 86.

22   Clicking on the Print Covernote button 83 provides the

23   ceding company with the opportunity to print a copy of the

1   contract or policy corresponding to the accepted proposal on

2   a printer associated with the users computer 10. Clicking

3   on the Print Premium Closing button 82 provides the ceding

4   company with the opportunity to print a billing document for

5   the policy or contract indicating the amount of the premium

6   and indicating when it is due. The system server calculates

7   the premium upon submission of a proposal. In the example

8   shown, the premium is calculated by multiplying the selected

9   coverage amount (Limit Upfront) by the listed rate or

10   percentage identified as ROL Upfront.

11   Clicking on the Proposals button 84 regenerates the

12   Proposals page 21. Clicking on the Agreements button 85

13   generates or regenerates the agreements page 23, and

14   clicking on the Logout button 86 logs the user out of the

15   user specific pages, and returns the user to the login page

16   (not shown) or the Reinsurer's home page (not shown).

17   In addition to generating the acceptance confirmation

18   page 78, clicking the submit button 71 on the Submit

19   Proposal page 65, causes the system server 15 to perform

20   several other functions. Before describing these functions,

21   an overview of the agreements page 23 will be helpful.

22   The Agreements page 23 (See Fig. 4) provides a listing

1   88 of each of the reinsurance agreements the specific user

2   or insurer (in this example XYZ, Inc.) has entered into with

3   the reinsurer. The listing 88 is generally presented in a

4   table format, with each row 90 summarizing the basic terms

5   of each separate agreement. Listing 88, in Fig. 4, includes

6   four agreements in rows 90a-d.

7   The first column 91 of each row includes a selection

8   button or icon 92 which can be clicked on to select the

9   agreement as summarized in that row 90. Specific

10 information or terms concerning each proposal are provided

11 in remaining columns 95 under the appropriate headings,

12 including the "Class of Business" or line of insurance, the

13 original loss warranty or "OLW" amount in millions of

14 dollars, the reinsurance amount or "Limit Upfront," the "ROL

15 Upfront" or rate on line upfront used in calculating the

16 premium, the "Cover Basis", the beginning date ("Term from")

17 and ending date ("Term to") of the policy term, the

18 "Territory", the "Reinstatement" rate and the event

19 "Coverage". Additional columns could be added to include

20 the reinsurer's and/or the user's reference number.

21   A Details button 96 is also provided on the Agreements

22 page 23. Clicking on the Details button 96, after selecting

23 an agreement by clicking on the corresponding selection

1   button 92, causes the server 15 to generate Agreement

2   Details pages (not shown) which are similar in appearance to

3   and provide much of the same information about the agreement

4   as is provided on a corresponding Proposal Details pages 40.

5   The Agreement Details pages provide a listing of the basic

6   terms of the specific agreement and a listing of headings

7   for the applicable clauses with an associated link to view

8   the specific wording of each clause.

9   In order to facilitate use of the interactive system 1,

10   it is to be understood that additional links may be included

11   in the various pages generated. In particular, the button

12   bar 19 (shown in Fig. 2) preferably appears on or as part of

13   a frame surrounding each Proposals page 21 and each

14   Agreements page 23 generated.

15   Referring again to Figures 3 and 4, Figure 3 shows the

16   listing 28 of proposals available to the specific cedent,

17   XYZ, Inc., before submission of the selected proposal, which

18   appears at the top of the table. Similarly, Figure 4 shows

19   the listing 88 of agreements entered into between the

20   reinsurer and the specific cedent, XYZ, Inc., before

21   submission of the proposal shown as selected in Figure 3.

22   When the user submits the selected proposal for

23   acceptance, by clicking on the submit button 71 on the

1 Submit Proposal page 65 (Fig. 6), the system server 15

2 withdraws or disassociates the relevant information for the

3 selected proposal from the proposals listing 28 (row 30a in

4 Fig. 3) and adds or associates the relevant information with

5 the agreements listing 88. Figures 8a and 8b show the

6 proposals page 21 as it appears after submission and

7 acceptance of the proposal shown selected in Figure 3. The

8 selected proposal from Figure 3 (row 30a), does not appear

9 in the listing 28 in Figures 8a and 8b. The absence of rows

10 30c and 30d in Figure 8a and the decrease in the maximum

11 value of the Limits Upfront in rows 30c and 30d of Figure 8b

12 will be discussed below.

13   Figure 9 shows the Agreements page 23 as it appears

14 after submission and acceptance of the proposal (row 30a)

15 shown selected in Figure 3. The resulting agreement has

16 been added to the listing 88 and appears as row 90e in Fig

17 9. If for any reason, problems are encountered in receiving

18 the Acceptance Confirmation page 78 (Fig. 7), the user can

19 confirm whether submission of a proposal has been accepted

20 by viewing the Agreements page 23 to verify that the

21 resulting agreement appears in the listing 88 thereon.

22   Essentially simultaneously with generation of the

23 Acceptance Confirmation page 78 and transfer or

1   reassociation of the data associated with the accepted

2   proposal to the agreements page 23, the system server 15

3   recalculates the available allocated capacity. As noted

4   previously, the allocated capacity comprises the cedent

5   capacity for each of the cedents and the per occurrence

6   capacity. The available allocated capacity is recalculated

7   by reducing the values associated therewith in the system

8   server by the amount of capacity extended or utilized by the

9   proposal. The system server 15 then withdraws from

10   availability any proposals whose acceptance would reduce the

11   available allocated capacity below a selected amount. The

12   selected amount is generally zero.

13   For example and referring to Figure 3, assume the

14   cedent capacity of XYZ, Inc. is eight million dollars

15   ($8,000,000) and the selected amount below which the cedent

16   capacity cannot be reduced is zero. Acceptance of the

17   selected proposal in row 30a, with coverage in the amount of

18   six million dollars ($6,000,000), will reduce the available

19   cedent capacity of XYZ, Inc. to two million dollars

20   ($2,000,000). The maximum value of coverage in the

21   proposals in rows 30b and 30e, of Fig. 2, do not exceed the

22   new cedent capacity of two million dollars. Therefore the

23   proposals in rows 30b and 30e will not be withdrawn from

- 33 -

1   availability and will be included in the Proposals page 21

2   generated after acceptance of the proposal in row 30a.

3   The maximum value of coverage in the proposals in rows

4   30c and 30d in Figure 3 exceeds the currently available

5   cedent capacity of two million dollars. The system server

6   15 can be programmed to withdraw from availability to a

7   cedent any proposal whose maximum value of coverage exceeds

8   the then available cedent capacity. With the system 15 so

9   programmed, upon acceptance of the proposal in row 30a, the

10 proposals in rows 30c and 30d (each providing a maximum

11 coverage of four million dollars) would be withdrawn from

12 availability to cedent XYZ, Inc. and the Proposals page 21

13 generated thereafter would appear as shown in Figure 8a.

14   It is foreseen that the system server 15 could be

15 programmed to reduce the maximum value of coverage of any

16 remaining proposals for the cedent to the then available

17 cedent capacity. With the system 15 so programmed, upon

18 acceptance of the proposal in row 30a, the maximum value of

19 coverage (Limit Upfront) for the proposals in rows 30c and

20 30d would each be reduced to two million dollars, and the

21 Proposals page 21 generated thereafter would appear as shown

22 in Figure 8b.

For purposes of explaining the operation of the system server 15 in withdrawing from availability proposals whose acceptance would exceed the per occurrence capacity, assume the initial capacity allocated by the reinsurer to aviation proposals equivalent to the proposal shown in row 30a of Figure 3, is thirty million dollars. The value for the available per occurrence capacity entered into the system server 15 for that proposal could be the number 5, to correspond to the maximum number of such aviation proposals the reinsurer can accept (based upon the maximum amount of coverage available for each proposal). Upon acceptance of such an aviation proposal, the value for the available per occurrence capacity would be reduced by one. If the same aviation proposal was initially made available to 10 cedents, once five accepted this proposal, the proposal would be withdrawn from availability from the remaining five and would not appear on their respective Proposals page 21. It should be noted that the proposal may have been previously withdrawn from availability from one of the remaining five cedents if acceptance of the proposal by that cedent would reduce that cedent's then available cedent capacity below the selected amount.

1   The value of the available per occurrence capacity, in

2   the example provided, could also be initialized at thirty

3   million dollars with this value being reduced each time a

4   proposal is submitted and accepted by the maximum value of

5   the Limit Upfront, or six million dollars. Again, once five

6   such proposals are accepted, any remaining proposals will be

7   withdrawn from availability.

8   It is also foreseen that with the value of the

9   available per occurrence capacity initialized at thirty

10   million dollars, the available per occurrence capacity would

11   be reduced by the selected value of coverage or limit

12   upfront upon the acceptance of each submitted proposal. In

13   such an application, the system server could be programmed

14   to reduce the maximum value of coverage of any remaining

15   proposals to the value of the recalculated or the then

16   available per occurrence capacity, if the maximum value of

17   the coverage would otherwise exceed the then available per

18   occurrence capacity. Continuing with the example above, if

19   proposals were accepted from three cedents submitting the

20   aviation proposal of row 30a with the maximum Limit Upfront

21   of six million dollars and from two cedents submitting the

22   same aviation proposal but with a reduced Limit Upfront of

23   four million dollars each, the system server 15 would then

1 reduce the maximum value of the coverage of any of the

2 remaining aviation proposals (like row 30a) to four million

3 dollars. Upon acceptance of one or more additional aviation

4 proposals whose combined coverage amount equals four million

5 dollars, any remaining aviation proposals corresponding to

6 the proposal of row 30a are withdrawn from availability.

7 It is to be understood that the programming logic

8 utilized in determining the value of the available allocated

9 capacity and whether acceptance of additional proposals

10 would reduce the available allocated capacity below a

11 selected amount could be varied. For example, using the

12 example above relating to cedent capacity, the server 15

13 could be programmed to set or establish a value for a

14 cedent's maximum capacity at ten million dollars. A value

15 for a utilized capacity could initially be set at zero.

16 Upon acceptance of a proposal utilizing five million dollars

17 in capacity for the cedent, the value of the utilized

18 capacity would be increased to five million dollars. The

19 server would then withdraw from availability any proposals

20 whose acceptance would increase the utilized capacity above

21 the maximum capacity.

22 It is to be understood that the steps of setting a

23 value for a cedent's maximum capacity and setting an initial

1   value for a utilized capacity (i.e. at zero) is the same as

2   or equivalent to initializing or establishing on the server

3   a value for an available risk assumption capacity. It is

4   also to be understood that the step of increasing the

5   utilized capacity upon acceptance of a proposal is the same

6   as or equivalent to recalculating the available risk

7   assumption capacity upon acceptance of an offer. Further,

8   it is to be understood that the step of withdrawing from

9   availability any proposals whose acceptance would increase

10   the utilized capacity above the maximum capacity is the same

11   as or the equivalent to the step of withdrawing from

12   availability any proposals whose acceptance would reduce the

13   available risk assumption capacity, as recalculated, below a

14   selected amount.

15   The available capacity generally refers to the maximum

16   capacity less the utilized capacity. The selected amount

17   below which the available capacity cannot be reduced is

18   typically zero. In determining whether acceptance of a

19   proposal would increase the utilized capacity above the

20   maximum capacity, the program must first subtract the

21   utilized capacity from the maximum capacity which is the

22   same as recalculating the available capacity which would

23   result from acceptance of the proposal. Determining whether

- 38 -

1 the increase in the utilized capacity will result in a value

2 which exceeds the maximum capacity is the same as

3 determining whether the corresponding reduction in the value

4 of the available capacity will reduce that value below the

5 selected value, zero.

6   It is to be understood that as used herein reference to

7 the step of withdrawing a proposal from availability should

8 be interpreted broadly enough to incorporate the step of

9 reducing the maximum value of coverage for any one proposal

10 at least to the then current value for available capacity,

11 including either cedent capacity or per occurrence capacity.

12   In the system and method as described with reference to

13 the sales of original loss warranty type reinsurance, the

14 method is generally utilized on an annual basis. The

15 reinsurer calculates and allocates its capacity on an annual

16 basis and reinitializes values for the per occurrence and

17 cedent capacities in the system server 15 at the beginning

18 of every year. Once a cedent's allocated cedent capacity is

19 utilized, the cedent cannot purchase additional reinsurance

20 through the system until the next year. Once the per

21 occurrence capacity for a particular proposal is utilized,

22 no additional policies for that proposal can be sold until

23 the following year.

1   However, it is to be understood that the system server

2   15 could be programmed to permit the reinsurer to

3   reinitialize the values for the available allocated

4   capacities at any time. It is foreseeable, that the system

5   could be utilized to increase or decrease the available

6   allocated capacity at any time (if regulations would permit)

7   depending on various factors including the reinsurer's and

8   cedents' changing financial conditions. The system server

9   15 could be programmed to automatically make available upon

10   an increase in available allocated capacity of proposals

11   which were previously withdrawn or new proposals added to

12   the system.

13   Figure 10 comprises a flow chart summarizing the main

14   steps of the present invention. Block 108 corresponds to

15   the step of identifying and enrolling potential customers or

16   cedents to utilize the interactive system 1. Block 110

17   corresponds to the step of formulating or developing risk

18   assumption proposals, which can occur simultaneously with or

19   even before the step of identifying and enrolling potential

20   customers as shown in block 108. Block 112 corresponds to

21   the step of posting on a secure server proposals which are

22   to be made available to selected cedents. Risk capacity is

1   allocated to the proposals and the cedents as shown by block

2   114 and initialized on the server.

3   Block 116 corresponds to the step of selecting and

4   electronically submitting a proposal by a cedent utilizing

5   the interactive system 1. Generation of an electronic

6   acceptance confirmation message by the system server 15 upon

7   submission of a proposal is shown by Block 118. Upon

8   acceptance of a proposal, the data associated with the

9   accepted proposal is transferred to or included in a list of

10   agreements as indicated by block 120. Simultaneously

11   therewith, the system server recalculates the allocated risk

12   capacity as shown by block 122. The server 15 then

13   determines whether the required capacity of any remaining

14   proposals exceeds the allocated risk capacity as

15   recalculated, as represented by the decision block 124. The

16   remaining proposals whose required capacity exceeds the

17   allocated risk capacity are electronically withdrawn from

18   availability as shown by block 126. The steps of the method

19   are then repeated from the point where proposals are

20   submitted by cedents as represented by block 116.

21   It is to be understood that while certain forms of the

22   present invention have been illustrated and described

1   herein, it is not to be limited to the specific forms or

2   arrangement of steps described and shown.